

# EXHIBIT 3

Feinstein, Ph.D., CPA, Steven P.

September 13, 2024

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IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF TEXAS

AUSTIN DIVISION

- - - - - x

IN RE:

CASSAVA SCIENCES, INC., Master File No.

SECURITIES LITIGATION 1:21-cv-00751-DAE

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This Document Relates to:

ALL ACTIONS

- - - - - x

VIDEO DEPOSITION of STEVEN P. FEINSTEIN, PhD, CPA

Friday, September 13, 2024 - 10:30 a.m.

Crowninshield Financial Research

56 Harvard Street

Brookline, Massachusetts

Reporter: Jill K. Ruggieri, RPR, RMR, FCRR, CRR

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1 conclusion," when you're trying to coach the 10:19:20  
 2 witness. 10:19:21

3 BY MR. COSTA: 10:19:21

4 Q But anyways, sir, you can go ahead 10:19:22  
 5 and answer with your lawyer's objection noted. 10:19:24

6 MS. JENSEN: And I disagree with 10:19:26  
 7 your objection. 10:19:28

8 Okay. Go ahead. 10:19:28

9 A I wrote the definition in my first 10:19:29  
 10 report. Can I refer to it? Do you have it 10:19:32  
 11 here? 10:19:35

12 Q Absolutely. 10:19:36

13 MS. JENSEN: Do you have a copy 10:19:37  
 14 of the original report? 10:19:37

15 MR. MARSHALL: We do. 10:19:39

16 MS. JENSEN: Again -- 10:19:39

17 MR. COSTA: We'll mark this as 10:19:39  
 18 Exhibit 2 to the Feinstein rebuttal deposition. 10:19:40

19 (Feinstein Exhibit 2 marked for 10:19:43  
 20 identification.) 10:19:43

21 MS. JENSEN: Court Reporter -- 10:19:49  
 22 if you don't mind, Madam Court Reporter, if we 10:19:49  
 23 can just make sure these are all Feinstein 10:19:53  
 24 exhibit numbers? 10:19:56

25 THE REPORTER: (Nods.) 10:19:57

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1 MS. JENSEN: Okay. I just don't 10:19:57  
2 want our record in the case to become murky. 10:19:58

3 **A Well, for the record, I just want to** 10:20:19  
4 **point out this is not the entire report. It's** 10:20:21  
5 **the text of the report without the exhibits.** 10:20:23

6 **I have a -- in the table of** 10:20:32  
7 **contents, Section VI(A) is entitled "Efficient** 10:20:33  
8 **Market Defined."** 10:20:38

9 **The bolder heading above that,** 10:20:39  
10 **Section VI, is "Marketing Efficiency Definition** 10:20:42  
11 **and Assessment Methodology."** This section 10:20:43  
12 **begins on page 16 of my report -- my first** 10:20:47  
13 **report.** 10:20:49

14 **Beginning on page 16, I provide** 10:20:53  
15 **a number of definitions from the literature and** 10:20:55  
16 **from prior court cases.** 10:20:59

17 Q Could you just in your own words say 10:21:01  
18 what -- how you would define "market 10:21:04  
19 efficiency"? 10:21:07

20 A **Well, I was just explaining that I** 10:21:09  
21 **did that.** 10:21:10

22 Q Right. 10:21:11

23 But you just can't -- I mean, 10:21:11  
24 you're an expert in this field, right? 10:21:13

25 A Yes. 10:21:15

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1 Q You can't just explain in regular 10:21:16  
2 words your definition of "market efficiency"? 10:21:19  
3 MS. JENSEN: Objection. Asked 10:21:24  
4 and answered, actually, in the first 10:21:24  
5 deposition, precisely this question. So I 10:21:26  
6 object on that basis. This is beyond the scope 10:21:28  
7 of this deposition. 10:21:31

8 Secondly, Doctor, you should 10:21:32  
9 answer as you see fit, including the fact that 10:21:33  
10 you've already submitted to the court your 10:21:35  
11 reports on this matter. 10:21:37

12 A **Yeah, I recall these exact same** 10:21:40  
13 **questions in the first deposition.** 10:21:42

14 Q But you can't recall your answers in 10:21:43  
15 the first deposition, it sounds like; is that 10:21:45  
16 right? 10:21:47

17 MS. JENSEN: Objection. 10:21:47

18 Argumentative. 10:21:48

19 A **No, that's not right.** 10:21:48

20 Q Well, then tell me the answer. 10:21:49

21 A **Well --** 10:21:51

22 MS. JENSEN: Objection. Asked 10:21:52  
23 and answered. 10:21:53

24 MR. COSTA: It hasn't been 10:21:53  
25 answered. 10:21:54

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1	<b>A</b>	<b>What I was going to say --</b>	10:21:55
2	MS. JENSEN: It was answered in		10:21:56
3	the first deposition. You should go back and		10:21:57
4	read that deposition.		10:21:58
5	BY MR. COSTA:		10:21:59
6	<b>Q</b>	How much are you charging per hour,	10:22:00
7	Dr. Feinstein, in this case?		10:22:02
8	MS. JENSEN: Which question		10:22:11
9	would you like him to answer?		10:22:12
10	MR. COSTA: Well, since he		10:22:14
11	didn't want to answer the other ones --		10:22:15
12	<b>Q</b>	How much are you charging per hour?	10:22:17
13	<b>A</b>	<b>I just want -- for the record, I'm</b>	10:22:18
14	<b>perfectly willing to answer it. I was about to</b>		10:22:19
15	<b>answer it.</b>		10:22:21
16	<b>Q</b>	But you need to look at the report to	10:22:21
17	give a definition of "market efficiency"?		10:22:23
18	MS. JENSEN: Objection.		10:22:26
19	Argumentative. Misstates.		10:22:27
20	MR. COSTA: Well, I'll note for		10:22:29
21	the record he asked for his old report. He is		10:22:30
22	thumbing through it and still unable to provide		10:22:32
23	an answer to the question of "Give a definition		10:22:35
24	of 'market efficiency.' "		10:22:39
25	MS. JENSEN: Objection.		10:22:40

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1 Counsel, that is completely inappropriate. 10:22:40

2 He's going to refer to his 10:22:43

3 report, and your baiting the witness this way 10:22:45

4 is completely inappropriate. 10:22:48

5 MR. COSTA: You can provide 10:22:50

6 commentary all day long. Maybe we will be here 10:22:51

7 until 6:30. 10:22:55

8 A Well, what I do want to say about the 10:22:57

9 definition is that I chose the words carefully 10:22:59

10 in my report. You have those words, and I just 10:23:01

11 want to make sure that I'm as careful with my 10:23:04

12 answer here at the deposition as I was when I 10:23:06

13 was writing the report, which is why I wanted 10:23:09

14 to refer to my report, not that I couldn't give 10:23:11

15 an off-the-cuff definition. 10:23:14

16 But to be sure that it would be 10:23:16

17 precise, correct, concise and accurate, I would 10:23:20

18 want to use the words that I chose when I wrote 10:23:24

19 the report. 10:23:27

20 And your answer -- the answer to 10:23:30

21 the second question is in paragraph 16, \$1,050 10:23:31

22 per hour for my work and a range of lower rates 10:23:35

23 for analysts and other personnel who assisted 10:23:38

24 me. 10:23:40

25 Q So what is the accurate, precise 10:23:42

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1 definition of "market efficiency" that you take 10:23:49  
2 in your work in this case? 10:23:52

3 MS. JENSEN: Objection. Form. 10:23:55

4 A Paragraph 65 is where we should be 10:24:00  
5 looking, of the first report. It's, "An 10:24:05  
6 efficient market... is a market in which 10:24:08  
7 publicly available information is incorporated 10:24:11  
8 into the price of a security such that trading 10:24:13  
9 price" -- "such that the trading price reflects 10:24:15  
10 publicly available information with reasonable 10:24:19  
11 promptness." 10:24:21

12 Q And if you can now look -- go back to 10:24:25  
13 Exhibit 1, which is your rebuttal report, and 10:24:26  
14 look at -- it's the one in the binder, sir. 10:24:31

15 A I know. 10:24:33

16 Q Look at I think page 4. It's 10:24:37  
17 paragraph 16. 10:24:39

18 In paragraph 16, you state that, 10:24:45  
19 "If a market reacts to new information rather 10:24:47  
20 than ignores that information, that market is 10:24:50  
21 informationally efficient." 10:24:54

22 Do you see that in your report, 10:24:56  
23 sir? 10:24:57

24 A Well, that's -- that's one sentence 10:24:58  
25 within a wider -- a broader paragraph that 10:25:00

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1 begins with the words, "An informationally 10:25:02  
2 efficient market is one in which value-relevant 10:25:05  
3 information is impounded into the security 10:25:08  
4 price with reasonable promptness." 10:25:10

5 Then it continues -- I continue. 10:25:12  
6 "If a market reacts to new information rather 10:25:14  
7 than ignores that information, that market is 10:25:16  
8 informationally efficient." 10:25:18

9 So the second sentence is more 10:25:20  
10 about how you would test for efficiency, how 10:25:21  
11 you know if a market's efficient, and the first 10:25:24  
12 sentence here that I read -- and, more 10:25:27  
13 importantly, the paragraph in my first 10:25:29  
14 report -- is the definition. 10:25:31

15 Q So you described that second 10:25:33  
16 sentence, which is the one I read, as basically 10:25:35  
17 providing a test for determining market 10:25:37  
18 efficiency. 10:25:40

19 Can you give an example of a 10:25:41  
20 price reaction that would be inconsistent with 10:25:44  
21 an efficient market? 10:25:50

22 MS. JENSEN: Hold on a second. 10:25:53  
23 I'm just going to object to the extent that the 10:25:54  
24 preamble misstates anything. 10:25:56

25 Go ahead. 10:25:58

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1 MS. JENSEN: Objection. 11:00:41

2 Misstates. 11:00:41

3 A They've come back to me with 11:00:44

4 examples, and I'll look at it and say there's a 11:00:46

5 good chance you're right that that stock meets 11:00:49

6 that -- those criteria and the price seems to 11:00:51

7 be wrong, so it would be fundamentally 11:00:58

8 efficient. That's what you're looking for if 11:01:01

9 you're trying to beat the market. 11:01:04

10 So I've opined -- I've never -- 11:01:05

11 yeah, I've opined that they've come back with 11:01:07

12 examples of stocks that appear to be 11:01:09

13 inefficiently priced, over-the-counter, pink 11:01:11

14 sheet stocks, local, small, not covered with 11:01:14

15 any analyst coverage, no volume, that sort of 11:01:16

16 thing. 11:01:19

17 Q Can you remember the names of any of 11:01:19

18 those stocks? 11:01:21

19 A No. 11:01:23

20 Q And you've never on your own without 11:01:25

21 these students given any examples, identified 11:01:27

22 such a stock, correct? 11:01:32

23 A Well, maybe I have. I'd have to 11:01:39

24 think hard about that, but I can tell you that 11:01:41

25 these examples are extremely rare because of 11:01:44

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1 how efficient markets are. 11:01:46  
2 And, you know, when people do 11:01:48  
3 find examples of inefficiency, what they think 11:01:50  
4 is inefficiency, they usually get a top-tier 11:01:52  
5 publication out of it with a title "Anomalous 11:01:56  
6 Stock Price." 11:01:58  
7 So they're so rare that they're 11:02:00  
8 usually labeled as anomalies, and the people 11:02:02  
9 that find them are renowned for it. I haven't 11:02:05  
10 published an article about finding an anomaly 11:02:10  
11 of that sort. Most stocks trade efficiently. 11:02:12  
12 And then we also know from my 11:02:15  
13 research and other people's research that even 11:02:17  
14 though it's more likely than not that a 11:02:20  
15 randomly selected stock would be trading 11:02:23  
16 efficiently, once a stock satisfies the 11:02:25  
17 Cammer-Krogman factors, it's extremely more 11:02:27  
18 likely than not that it trades efficiently. 11:02:30  
19 And then if you couple that with 11:02:33  
20 a demonstration of it trading efficiently, that 11:02:34  
21 allows someone to make a conclusion that it's 11:02:36  
22 an efficient stock or an efficient market. 11:02:39  
23 Q You said if you thought hard about 11:02:42  
24 it, you might be able to come up with an 11:02:43  
25 example on your own of an inefficient -- stock 11:02:45

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1 in an inefficient market, but -- 11:02:52

2 A That's not what I said. I just want 11:02:54

3 to make sure that's -- I didn't say that. 11:02:56

4 Q Tell me what you said. 11:02:58

5 A I said I might be able to recall a 11:02:59

6 time when I've agreed with a student that the 11:03:01

7 stock they have found was priced inefficiently. 11:03:03

8 Q So on your own, you've never observed 11:03:05

9 that phenomena? 11:03:08

10 A No, I just said that I did. A 11:03:11

11 student would bring to me an example after 11:03:14

12 doing that research, and I -- I think it has 11:03:16

13 occurred -- I know it has occurred where I said 11:03:19

14 I think I agree with you. I think you found an 11:03:21

15 anomalously priced stock. 11:03:24

16 But, I mean, the stocks that 11:03:27

17 they bring back are small, local, no analyst 11:03:29

18 coverage, no volume, pink-sheet-type stocks. 11:03:32

19 That's where you're going to find the 11:03:35

20 anomalies. 11:03:36

21 Q It was a bad question. 11:03:37

22 Forgetting when your students 11:03:39

23 came to you with an example, have you on your 11:03:40

24 own ever looked at movement of a stock price 11:03:44

25 and determined it was not an efficient market? 11:03:46

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1 MS. JENSEN: Objection. Asked 11:03:52  
2 and answered. 11:03:52

3 A I'm going to answer that question, 11:03:56  
4 but I'm also going to -- at a -- 11:03:58  
5 I found examples where I've told 11:04:01  
6 people I don't think I would be able to prove 11:04:04  
7 it is efficient, but I also can't prove it's 11:04:06  
8 inefficient. That's what I've done. 11:04:11

9 Q What are those examples? 11:04:13

10 A I don't recall as I sit here now, but 11:04:15  
11 that happens. It happens from time to time, I 11:04:18  
12 mean, with some regularity. 11:04:21

13 And, again, it's usually a small 11:04:22  
14 stock, micro cap, no analyst coverage, not 11:04:26  
15 listed on an exchange, no volume, that sort of 11:04:28  
16 thing. 11:04:31

17 But I would say looking at those 11:04:31  
18 factors, maybe it's trading efficiently. But 11:04:33  
19 no one's going to be able to prove it, 11:04:40  
20 including me. 11:04:43

21 Q Have you ever testified in connection 11:04:44  
22 with a pending litigation that a market was 11:04:46  
23 inefficient for a stock? 11:04:49

24 MS. JENSEN: Again, I'm going to 11:04:53  
25 object. This is -- certainly could have been 11:04:54

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1           A     Oh, there are impacts. I've observed   12:01:20  
2     impacts.   12:01:24

3   12:01:25

4     Cassava is -- was in an interesting situation,   12:01:27  
5     this is -- this is not surprising that the       12:01:31  
6     price moved this much.                               12:01:34

7   12:01:36

8     Cassava was a stock that could be worth --      12:01:37

9     well, in the company's CEO's own words, it       12:01:40

10    could be the next, what did he say, Google?      12:01:43

11   12:01:45

12    It could be the next Google, you                12:01:48  
13    know, which is a trillion-dollar stock, or it   12:01:52  
14    could go to zero, depending on whether or not   12:01:55  
15    their drug worked.                                   12:01:55

16   12:01:56

17    So there was a wide range of                    12:01:58  
18    potential valuations, and the market was       12:02:01  
19    working to figure out which one it should be,   12:02:08

20    the high valuation or the low valuation.       12:02:11

21   12:02:12

22    And when a signal comes out that                12:02:15  
23    the insiders are buying, that's going to send   12:02:15  
24    the stock up.                                       12:02:15

25   12:02:16

22   12:02:16

24    Q     Do you remember what the question      12:02:17  
25    was?   12:02:18

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## C E R T I F I C A T E

2

I, Jill K. Ruggieri, Registered Merit

3

Reporter and Certified Realtime Reporter, do certify

4

that the deposition of STEVEN P. FEINSTEIN, PhD,

5

CFA, in the above-captioned matter, on September 13,

6

2024, was stenographically recorded by me; that the

7

witness provided satisfactory evidence of

8

identification, as prescribed by Executive Order 455

9

(03-13) issued by the Governor of the Commonwealth

10

of Massachusetts, before being sworn by me, a Notary

11

Public in and for the Commonwealth of Massachusetts;

12

that the transcript produced by me is a true record

13

and accurate record of the proceedings to the best

14

of my ability; that I am neither counsel for,

15

related to, nor employed by any of the parties to

16

the above action; and further that I am not a

17

relative or employee of any attorney or counsel

18

employed by the parties thereto, nor financially or

19

otherwise interested in the outcome of the action.

20

21

Jill K. Ruggieri

22

Jill K. Ruggieri, RPR, RMR, FCRR, CRR

23

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Transcript review was requested of the reporter.

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